



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Katy Allen

SUBJECT: SEE BELOW

DATE: 05-24-04

Approved

Date

University Area:

Council District: 3 & 7

SNI: University, Spartan/Keyes,
Tully/Center, and Rockspring

Almaden-Vine Area:

Council District: 3, 6, & 7

SNI: Washington, Josefa/Auzerais

**SUBJECT: UNIVERSITY AREA AND ALMADEN-VINE AREA SANITARY SEWER
REHABILITATION PROJECTS**

RECOMMENDATION

- a. Report on bids and award of contract for the University Area Sanitary Sewer Rehabilitation Project to the lowest responsive bidder, Insituform Technologies Inc., in the amount of \$1,700,000.
CEQA: Exempt, PP04-03-105.
- b. Report on bids and award of contract for the Almaden-Vine Area Sanitary Sewer Rehabilitation Project to the lowest responsive bidder, Insituform Technologies Inc., in the amount of \$1,700,000.
CEQA: Exempt, PP04-03-104.

BACKGROUND

Many of the sanitary sewers in the Downtown area were constructed more than 50 years ago. Due to their age, many sewers in mature neighborhoods exhibit moderate to severe structural deterioration. In recognition of this deficiency, Council approved the implementation of a number of capital improvement projects to rehabilitate or replace these pipes. The University Area Sanitary Sewer Rehabilitation Project and the Almaden-Vine Area Sanitary Sewer Rehabilitation Project are two of these (maps attached).

Among the communities that will benefit from the University area project are University, Naglee Park, and Rockspring neighborhoods. The communities that could benefit from the Almaden-Vine area project are the Parkside and Washington-Guadalupe neighborhoods. The condition of the pipes in these areas ranges from good and serviceable to deteriorated and failing. These projects will rehabilitate to current standards those pipes in the greatest need for improvement.

Construction is scheduled to begin in August 2004 with completion in February 2005.

ANALYSIS

In its commitment to timely project delivery, staff used the unit-cost approach for bidding this project. This is an innovative approach that requires significantly less up-front time for pipeline research, and maximizes the benefit of available funds for sanitary sewer rehabilitation and replacement.

Unlike the standard project of this nature, specific pipe segments for rehabilitation or replacement were not identified prior to the bid. Instead, the contractor will videotape the sanitary sewers within the project area and will submit the videotapes with accompanying written logs and written recommendations as to the work needed, if any. The recommendations will state methods required, i.e. spot repair, lining, replacement, or "no action necessary" for reaches of pipe not in need of rehabilitation. The Engineer will review the videotapes and recommendations, then give directions for the contractor to perform the needed work.

Under the unit-cost approach, the bids are based on the contractor providing the unit cost of completing varying, specified items of work regardless of the location of the pipes. The City determines the lowest responsive bid based upon the sum of the extensions of the *estimated* number of units for each item of work multiplied by the unit price for that item of work. Regardless of the lowest bid, the amount of work will be adjusted such that the maximum total compensation that will be paid by the City to the contractor will not exceed \$1,700,000.

Bids were received on May 11, 2004, with the following results:

University Area:

| <u>Contractor</u> | <u>Bid Amount</u> | <u>Variance Amount</u> | <u>Over/ (Under) Percent</u> |
|---|-------------------|----------------------------|----------------------------------|
| JF Pacific Liners, Inc. (Vacaville, CA) | \$2,249,600 | \$549,600 | 32 |
| Gelco Services, Inc. (Salem, OR) | 2,090,400 | 390,400 | 23 |
| Insituform Technologies, Inc. (Chesterfield, MO) | 1,758,900 | 58,900 | 3 |

| | | | |
|----------------------------|------------------|-------------|-------|
| Engineer's Estimate | 1,700,000 | -- | -- |
| Andes Construction Inc. | 1,575,210 | (124,790) | (7) |
| (Oakland, CA) | | | |

Almaden-Vine Area:

| <u>Contractor</u> | <u>Bid Amount</u> | <u>Variance Amount</u> | <u>Over/ (Under) Percent</u> |
|-------------------------------|-------------------|------------------------|------------------------------|
| JF Pacific Liners, Inc. | \$2,441,700 | \$741,700 | 44 |
| (Vacaville, CA) | | | |
| Gelco Services, Inc. | 2,090,400 | 390,400 | 23 |
| (Salem, OR) | | | |
| Insituform Technologies, Inc. | 1,758,900 | 58,900 | 3 |
| (Chesterfield, MO) | | | |
| Engineer's Estimate | 1,700,000 | -- | -- |
| Andes Construction Inc. | 1,575,210 | (124,790) | (7) |
| (Oakland, CA) | | | |

The lowest bid submitted by Andes Construction, Inc. is seven percent under the Engineer's Estimate. However, the bid must be rejected for two, independent reasons. Accordingly, staff recommends award of the bid to the second lowest bidder, Insituform Technologies Inc., whose bid is three percent over the Engineer's Estimate.

City of San José Standard Specifications Section 7-1.01C, titled "Contractor's Licensing Laws," requires the contractor to be licensed in accordance with the laws of the State *at the time of bid*. Andes Construction was holding a suspended State Contractor License at the time of bid. Staff has confirmed the license status with the State Contractor's Board, the entity responsible for licensing contractors. Although there has been an assertion about the appropriateness of the suspension, the City is not in a position to question the propriety of the action of the State Contractor's Board. Accordingly, the bid must be rejected.

Staff also recommends rejecting the bid of Andes Construction on the independent ground that the bid is "unbalanced." The bid specifications define an "unbalanced bid" as "a bid proposal with abnormally high unit cost(s) for one or more bid items and/or abnormally low unit costs for other bid items." Staff believes that it is very important for a bid to be balanced when using the unit-cost approach in order to avoid any compensation issues when the actual work the contractor will perform is determined after the contract is awarded. Accordingly, the specifications for this project specifically stated that an "unbalanced bid" could be rejected.

The bid of Andes Construction is unbalanced in that the bids for a number of work items are abnormally low. For example, the bid for repairing a protruding lateral internally is \$1.00 per repair, when the average from the other bids is \$466.67 per repair; the bid for lateral reinstatement in 27 inch to 30 inch pipes is \$1.00 per reinstatement, when the average from the other bids is \$383.33 per reinstatement; the bid for pipe replacement for 27 inch to 30 inch VCP

is \$1.00 per linear foot, when the average from the other bids is \$615.00 per linear foot; and the bid for installing each clean-out on lateral is \$1.00, when the average from the other bids is \$1,476.67.

Based on the unit-cost approach, a not-to-exceed amount of \$1.7 million in funding is requested to cover the construction of this project. This amount includes no contingency.

PUBLIC OUTREACH

To solicit contractors, this project was listed on the City's Internet Bid Line and advertised in the *San José Post Record*. Bid packages for all Department of Public Works construction projects are provided to various contractor organizations and builder's exchanges.

Project specifications require that sewer service will not be interrupted during construction. Residents and businesses will be notified twice of construction operations, once at 7 days prior to construction, and then again 48 hours prior to construction.

COORDINATION

This project and memorandum have been coordinated with the Departments of Transportation, Finance, Planning, Building and Code Enforcement, the City Attorney's Office, San José Redevelopment Agency and the City Manager's Budget Office.

COST IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: \$1,700,000

2. COST OF PROJECT:

| | |
|------------------|------------------|
| Project Delivery | \$ 500,000 |
| Construction | <u>1,700,000</u> |
| TOTAL | \$2,200,000 |

3. SOURCE OF FUNDING: 545 – Sewer Service and Use Charge Capital Improvement Fund

4. FISCAL IMPACT: This project is consistent with the Council-approved Budget Strategy Economic Recovery section in that it will spur construction spending in our local economy. The proposed operating and maintenance costs of this project have been reviewed, and it has been determined that the project will have no significant adverse impact on the General Fund operating budget.

BUDGET REFERENCE

University Area:

| Fund # | Appn. # | Appn. Name | RC # | Total Appn. | Amt. for Contract | 2003-2004 Adopted Capital Budget Page | Last Budget Action (Date, Ord. No.) |
|--------|---------|-----------------|--------|-------------|-------------------|---------------------------------------|-------------------------------------|
| 545 | 4403 | Third Ward Area | 131055 | \$2,763,000 | \$1,700,000 | 153 | 10/14/03, Ord. No. 26997 |

Almaden-Vine Area:

| Fund # | Appn. # | Appn. Name | RC # | Total Appn. | Amt. for Contract | 2003-2004 Adopted Capital Budget Page | Last Budget Action (Date, Ord.No.) |
|--------|---------|------------------|--------|-------------|-------------------|---------------------------------------|------------------------------------|
| 545 | 4398 | Fourth Ward Area | 131065 | \$2,753,000 | \$1,700,000 | 144 | 10/14/03, Ord. No. 26997 |

CEQA

University Area: Exempt, PP04-03-105.

Almaden-Vine Area: Exempt, PP04-03-104.

KATY ALLEN
Director, Public Works Department